

Public Hearing – March 8, 2022
Energy and Technology Committee

Testimony Submitted by Commissioner Katie S. Dykes

Senate Bill No. 275 – An Act Concerning Economic Development Tariffs

Thank you for the opportunity to present testimony regarding **Senate Bill No. 275 – An Act Concerning Economic Development Tariffs**. The purpose of this bill is to establish utility rate discounts used for economic development and to require the Public Utilities Regulatory Authority (the Authority) to extend economic development rates to existing businesses if they offer them to new companies moving operations to the state.

The Department of Energy and Environmental Protection (DEEP) **opposes** this bill as drafted because it does not provide sufficient guardrails. Economic Development Rates (EDRs), when strategically and aptly designed, can be an effective tool to retain, expand, and attract businesses in a utility's service area. DEEP submits that the eligibility requirements in this bill, as drafted, are too broad, as they do not require that the applicant engage in new or expanded business in Connecticut. Instead, the proposal requires that any agreement for a new customer moving to Connecticut shall be made available to existing businesses meeting the same eligibility requirements.

DEEP supports the approach taken in jurisdictions that require that any business seeking an EDR demonstrate that *if not* for the EDR, the company would not be able to expand or establish operations in the utility's service area. Moreover, in order to maximize economic and grid-side benefits resulting from an EDR, other eligibility requirements common in other jurisdictions should be considered. DEEP suggests that the following eligibility requirements be further explored:

- The establishment of minimum customer load factors;¹
- Verification that the customer provides significant economic improvement to the community;² and
- The customer must commit to producing a certain amount of job growth.

When EDRs are properly designed, they can provide a significant incentive for businesses to locate their operations in a utility's service area. In many cases, upfront capital costs are more important in a business's site selection process than the on-going operating costs.³ However, an initial discount on the electric rate can act as an attractive feature for potential site locations for new or expanding businesses. DEEP notes that, when properly designed, EDRs should provide benefits not only to the targeted businesses, but to the entire electric distribution system.

Lastly, DEEP respectfully reminds the committee that on October 27, 2020, the Authority initiated Docket No. 17-12-03RE11 *PURA Investigation into Distribution System Planning of the Electric Distribution Companies - New Rate Designs and Rates Review* to explore "new rate

designs that address the disproportionate impact of increased electric rates on the lowest income customers and the need for Connecticut businesses to remain competitive with neighboring states.”⁴ DEEP has, and will continue to actively participate in this proceeding as the Authority works through these important issues. DEEP also welcomes the opportunity to work with the committee to address the specific aspects of the bill noted above.

Thank you for the opportunity to present testimony on this proposal. Should you have any questions, please do not hesitate to contact Harrison Nantz at Harrison.Nantz@ct.gov.